**DISCLOSURE STATEMENT**
**EXHIBIT D**

# DAN RIVER INC.
# LIQUIDATION ANALYSIS

The Debtors have prepared this liquidation analysis (the "Liquidation Analysis) in connection with the Disclosure Statement. The Liquidation Analysis indicates the values which may be obtained by Classes of Claims and Interests upon disposition of assets pursuant to a Chapter 7 liquidation, as an alternative to continued operation of the business and payments under the Plan. Accordingly, collateral values discussed herein may be different than amounts referred to in the Plan. The Liquidation Analysis is based on the assumptions discussed below.

The Liquidation Analysis is based upon numerous estimates and assumptions that, although developed and considered reasonable by the Debtors' management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors. This Liquidation Analysis is also based upon assumptions with regard to liquidation decisions that are subject to change. Accordingly, there can be no assurances that the values reflected in this Liquidation Analysis would be realized if the Debtors were, in fact, to undergo, such a liquidation.

In addition to the assumptions that are set forth on the following pages, there are significant areas of uncertainty that exist with respect to this Liquidation Analysis.

1. The Liquidation Analysis assumes that the liquidation of the Debtors' estates would commence on January 1, 2005 and would be substantially completed within a 7-month period. The wind-down costs during the 7-month period have been estimated by the Debtors' management and any deviation from this time frame could have a material impact on the wind-down costs, Administrative Expense and Priority Claims, proceeds from asset sales, and the ultimate recovery to the creditors of the Debtors' estates.

2. If the implementation of the liquidation plan were to be delayed, there is a possibility that the Debtors would sustain significant operating losses during the delay period, thus adversely impacting the net liquidation value of the estates.

3. In any liquidation there is a general risk of unanticipated events, which could have a significant impact on the projected cash receipts and disbursements. These events include changes in the general economic condition, changes in consumer preferences, and changes in the market value of the Debtors' assets.

4. This Liquidation Analysis assumes that the amount of contingent litigation claims against the Debtors is *de minimis*. However, due to general uncertainties with respect to the outcome of contingent litigation matters, the actual value of such claims remains uncertain. Accordingly, the estimated recovery percentages could be impacted by the outcome of such contingent litigation matters.

# DAN RIVER INC.
# LIQUIDATION ANALYSIS

**Creditor Recovery in Liquidation Scenario**
**($ 000s)**

| | September 30, 2004 Book Value | % Recovery | Recovery $ | Notes |
|---|---|---|---|---|
| **Proceeds** | | | | |
| Cash and Cash Equivalents | $2,253 | 100.0% | $2,253 | (2) |
| Accounts Receivable | 62,500 | 68.2% | 42,612 | (3) |
| Inventory | 132,998 | 56.4% | 74,996 | (4) |
| Other Assets | 2,685 | 11.2% | 301 | (5) |
| Machinery & Equipment | | | 25,517 | (6) |
| Real Estate | | | 24,340 | (6) |
| Sale of Offray Plant (DC#2) | | | 3,500 | (7) |
| Sale of Engineered Products | | | 10,000 | (8) |
| Total Proceeds | | | 183,518 | |
| Wind-down Costs | | | 39,141 | (9) |
| Proceeds Available after Liquidation | | | $144,377 | |
| **Class 1 - Other Secured Claims** | | | | |
| Proceeds Available for Senior Secured Bank Claims | | | 144,377 | |
| Estimated Other Secured Claims | | | 106,869 | (10) |
| Estimated Other Secured Claims Recovery $ | | | $106,869 | |
| Estimated Other Secured Claims Recovery % | | | 100.0% | |
| **Class 3 - American National Bank Claim** | | | | |
| Proceeds Available for American National Bank Claim | | | 3,500 | |
| Estimated American National Bank Claims | | | 3,036 | (11) |
| Estimated Other Secured Claims Recovery $ | | | $3,036 | |
| Estimated American National Bank Recovery % | | | 100.0% | |
| **Class 2 - Priority Claims** | | | | |
| Proceeds Available for Priority Claims | | | 34,472 | |
| Estimated Priority Claims | | | 22,757 | (12) |
| Estimated Priority Claims Recovery $ | | | $22,757 | |
| Estimated Priority Claims Recovery % | | | 100.0% | |
| **Class 4 to 7 - General Unsecured Claims** | | | | |
| Proceeds Available for General Unsecured Claims | | | 11,715 | (13) |
| Estimated General Unsecured Claims | | | 253,731 | |
| Estimated General Unsecured Claims Recovery $ | | | 11,715 | |
| Estimated General Unsecured Claims Recovery % | | | 4.6% | |

**DAN RIVER INC.**
**NOTES TO LIQUIDATION ANALYSIS**

The Liquidation Analysis reflects the Debtors' estimate of the proceeds that would be realized if the Debtors were to be liquidated in accordance with Chapter 7 of the Bankruptcy Code. The Liquidation Analysis is based on the actual assets of the Debtors as of September 30, 2004. Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and its management, and upon assumptions with respect to the liquidation decisions which could be subject to change. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

Except as specifically addressed in Notes to the Liquidation Analysis, the issues of potential recoveries from avoidance actions and final bankruptcy claims reconciliation have not been addressed in the Liquidation Analysis.

The Liquidation Analysis assumes a liquidation period of seven months during which a two phase approach to the liquidation would occur.

Phase I would entail a three month period in which existing Accounts Receivable is collected and work-in-progress Inventory is "run-out" when it is deemed that a finished good would bring a higher value to the estate than as a greige product. To the extent possible, Inventory would be sold through existing customers with the remaining sold through other various sales channels (the "GOB Program"). All manufacturing and distribution facilities and machinery & equipment would be closed or mothballed and marketed for sale. Upon completion of the GOB Program, operations would be shut down and positions of most associates in these areas would be terminated. During this period of time, the Danville, Virginia corporate operations would wind down and almost all positions would be phased out. Certain corporate personnel, such as those in Financial and Management Information Systems areas, would be retained as necessary to support the completion of an orderly liquidation.

Phase II would entail the four month period after completion of the GOB Program and the continued disposition of leases, property, plant and equipment at the manufacturing facilities and distribution centers that were marketed and not sold during Phase I. This period would be needed for an orderly liquidation of all other assets. This would include activities such as the disposition of corporate equipment, collection of miscellaneous accounts receivable, and completion of the claims reconciliation process.

The following notes describe the significant assumptions reflected in the Liquidation Analysis.

*Note 1 – Projected Book Values as of January 1, 2005*

The book values of assets used in this Liquidation Analysis are the book values as of September 30, 2004.

*Note 2 – Cash*

The Liquidation Analysis assumes that operations during the liquidation period would not generate additional cash available for distribution except for net proceeds from the disposition of non-cash assets.

*Note 3 – Accounts Receivable*

Accounts Receivable is separated into two categories: Pre-Liquidation Receivable Collections from sales before the liquidation announcement and Post-Liquidation Receivable Collections from the inventory liquidation (see Note 4). Uncollectible receivables and off-sets of $8.1 million, which includes allowances for defective merchandise (in lieu of returns), a reserve for unsettled claims, volume rebates, etc., lowers the recovery rate on Pre-Liquidation Receivable collections to 68%. Due to the nature of inventory sales in liquidation, management estimates Post-Liquidation Receivable collections at a 97% recovery rate.

*Note 4 –Inventory*

An analysis of inventory was performed estimating recovery dollars received in a net orderly liquidation of the Company's inventory over a three month period. Management also analyzed potential proceeds from converting certain greige inventory to finished inventory if it would bring a higher value after conversion costs. The required finishing costs are related to operating the finishing plants an extra 1 to 2 weeks after the liquidation announcement. Inventory was evaluated in several different categories for net orderly liquidation value. The Company estimated it will sell at 50% of original cost its "Letter of Credit Goods", which is inventory in the process of being sourced at the liquidation announcement. The Inventory on hand is assumed to be disposed of under a GOB Program. Operating expenses incurred during the conversion process from greige goods to Finished Goods are approximately $1.0 million. Management also assumes $3.6 million in warehousing expense associated with the liquidation tenure.

*Note 5 – Other Current Assets*

Other current assets consist primarily of prepaid expenses such as personal property taxes, insurance and supplies. The recovery on these items is expected to be minimal.

*Note 6 – Fixed Assets (M&E and Real Estate)*

The Company's Real Estate facilities and Machinery & Equipment are assumed sold within the seven month projected period, with the exception of the Schoolfield plants in Danville and the idle Dan River de Mexico facility. The Real Estate and M&E values are based on appraised values unless a sale price has already been established or management concluded the value had changed since the March 2004 appraisals. The liquidation proceeds assumed to be received are net of costs associated with the disposition of equipment. Mothball costs to prepare each facility for sale and Idle Facility costs to keep each facility in working condition prior to sale are assumed at $.02 sq ft/wk and $.20 sq ft, respectively.

*Note 7 – Sale of Offray Plant (DC #2)*

The sale of the Offray Distribution Center is broken out as it secured by the American National Bank Facility.

*Note 8 – Sale of Engineered Products*

Engineered Products is sold for proceeds estimated at $10.0 million. No operating or working capital assumptions for the Engineered Products division are assumed in this liquidation.

*Note 9 – Costs Associated with Liquidation*

These expenses represent the costs associated with operating distribution center during the GOB Program, payroll and other costs associated with various corporate functions during the wind down period, payroll costs associated with the termination of employees and Chapter 7 professional fees incurred, including those associated with the appointment of a Chapter 7 trustee in accordance with Section 326 of the Bankruptcy Code.

Corporate payroll and operating costs during liquidation are based upon the assumption that most corporate functions would be significantly reduced during the Phase I GOB Program and all remaining positions would phase out over the Phase II wind down. Aside from certain distribution personnel necessary for Phase I, more than 66% of personnel will be terminated immediately. Each Dan River employee was reviewed to determine their necessary tenure during an orderly liquidation. Accordingly, payroll and severance assumptions were

made for all salaried employees based on the current KERP plan for employees within Tiers 3 through 5 and one month severance for the non-KERP salaried personnel and also included 12 months severance for Tier 1 and 15 months severance for Tier 2. No retention payments were made, only severance entitlements.

Professional fees are estimated based on historical experience in other similar cases and applicable provisions in the Bankruptcy Code. Trustee fees are estimated as a percentage of the total assets liquidated.

*Note 10 – Other Secured Claims*

Represents amounts due under the Senior Secured Bank Claims and Other Secured Claims. This class would receive an estimated 100% recovery on their claim.

*Note 11 – American National Bank Claim*

Represents amounts due under the American National Bank. This class would receive an estimated 100% recovery on their claim.

*Note 12 –Priority Claims*

Reflects costs associated with taxes, accrued wages, utilities and other trade payables. Also includes post-petition operating liabilities during the Chapter 11 bankruptcy. This class would receive an estimated 100% recovery on their claim.

*Note 13 – General Unsecured Claims*

Represents amounts due under the General Unsecured Claims representing Classes 4 through 7. The claim amount increases in a liquidation scenario due to pension, insurance, contract rejection and other claims resulting from a Chapter 7 liquidation rather than emerging from Chapter 11. This class would receive an estimated 4.6% recovery on their claims.

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**DAN RIVER INC**
**ALLOCATION OF NET ESTIMATED LIQUIDATION PROCEEDS**

The following table sets forth an estimated distribution of $144.4 million in net proceeds distributable to holders of Secured Claims, General Unsecured Claims and Other Interests in a hypothetical Chapter 7 liquidation of the Debtors on the Effective Date. The distribution in such liquidation gives effect to strict enforcement of all contractual subordination provisions.

| | | Chapter 7 | | |
|---|---|---|---|---|
| **Class** | **Description** | **Estimated Claims** | **Recovery** | **Recovery %** |
| 1 | Other Secured Claims | $106,869 | $106,869 | 100.0% |
| 2 | Priority Claims | 22,757 | 22,757 | 100.0% |
| 3 | American National Bank Claim | 3,036 | 3,036 | 100.0% |
| 4 | Prepetition Notes Claims | 166,530 | 7,689 | 4.6% |
| 5 | Substantial Unsecured Claims | 40,000 | 1,847 | 4.6% |
| 6 | General Unsecured Claims | 46,441 | 2,144 | 4.6% |
| 7 | Unsecured Convenience Class | 760 | 35 | 4.6% |